Revival of interest rates

516. SHRI LALIT SURI: Will the Minister of FINANCE be pleased to state:

(a) whether in view of the high rate of inflation recently recorded, which has gone beyond 7.5 per cent and the recent statement of the Chairman of the Twelfth Finance Commission that the real interest rate must be positive, Government propose to revise the interest rates both of the banks and the small savings handled by the post offices; and

(b) if so, the details thereof and by when a final decision in the matter is likely to be taken?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) The current spell of high inflation rate is mainly due to external shocks such as increase in oil prices which has reduced the real return for the depositor calculated on the basis of wholesale price index (WPI). However, the inflation rate based on consumer price index (CPI), which may be more relevant for ascertaining the impact on actual purchasing power of the common consumer, has remained considerably lower at 4.81 per cent and 3.56 per cent on point-to-point and average basis as on September, 2004. Also, the returns offered by the Governemnt on small savings schemes are higher and continue to provide a positive and effective real rate of return, both on account of interest rates, applicable and tax incentives offered on such small savings.

For the present, the Union Budget, 2004-05 has retained the existing rates of interest on small savings instrument. However, the Union Government recently introduced a Saving Scheme Offering a higher annual return of 9 per cent targeted specially for senior citizens, providing easy quarterly interest payments. At present this scheme provides higher return to the senior citizens as compared to other savings/ deposit schemes. Latest indications suggest that term deposit rates of the Banks have been increasing with some banks having already adjusted their deposit rates upwards by 25-50 basis points.

Frauds in NSCs

517. SHRI JANARDHANA POOJARY: Will the Minister of FINANCE be pleased to state:

(a) the number and amount generated through the sale of National Saving Certificates across the country during the last three years, year-wise and State-wise;